

Capital and Dividends

Other Changes and Activities

Comptroller's Corporate Manual

**Washington, DC
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This booklet should be used together with other booklets of the *Comptroller's Corporate Manual*. Users of this booklet should refer to the "[General Policies and Procedures](#)" (GPP) booklet for discussion of general filing instructions and procedures. They also may find the "[Corporate Organization](#)" booklet useful for sample corporate documents.

Background

Changes to permanent capital and the declaration of dividends by a national bank are governed by national bank laws and OCC regulations set forth at 12 CFR 5. National banks may make some changes by following an after-the-fact notice process. Other changes require the OCC's prior approval.

The OCC must certify increases and authorize decreases in a national bank's permanent capital. Additionally, a bank must obtain OCC prior approval for any decrease and certain increases in permanent capital. The "Summary of Process" section of this booklet discusses transactions that do and do not require prior approval.

The OCC's approval also must be obtained for dividends that exceed the limits of 12 USC 60.

Definitions

Capital plan means a plan describing the manner and schedule by which a national bank will attain specified capital levels or ratios filed with the OCC under 12 CFR 3.7 or a capital restoration plan filed with the OCC under 12 USC 1831o and 12 CFR 6.5.

Capital stock means common and preferred stock.

Capital surplus means the total of:

- The amount paid in on capital stock in excess of the par or stated value.
- Direct capital contributions representing the amount paid in other than capital stock.
- Amounts transferred from undivided profits as a result of stock dividends.
- Amounts transferred from undivided profits required by 12 USC 60.

An **eligible bank** is a national bank that:

- Has a composite CAMELS rating of 1 or 2.
- Has an "outstanding" or "satisfactory" Community Reinvestment Act (CRA) rating. (This factor does not apply to an uninsured bank or branch, or a special purpose bank covered by 12 CFR 25.11(c)(3).)
- Is well capitalized as defined in 12 CFR 6.4(b)(1).
- Is not subject to a cease and desist order, consent order, formal written agreement, or prompt corrective action directive or, if subject to any such order, agreement or directive, is informed in writing by the OCC that the bank still may be treated as an "eligible bank."

Expedited review means that an application to change permanent capital from an eligible bank is approved by the OCC 30 days after the receipt date, unless the bank is notified within the 30-day period that the application is not eligible for expedited processing.

Permanent capital means the sum of capital stock and surplus.

Key Policies

Generally, the OCC will approve a change in permanent capital that:

- Is consistent with law, regulation, and OCC policy.
- Provides an adequate capital structure.
- Complies with the capital plan filed by the bank under either 12 CFR 3.7 or 12 USC 1831o and 12 CFR 6.5, If appropriate.
- Complies with applicable securities disclosure requirements.

National banks may not create classes of common stock with different or no voting rights. Federal banking law provides, without exception, that common shareholders are entitled to one vote per share held in all matters, except the election of directors when they have cumulative voting rights.

The OCC regulations do permit national banks to follow the corporate governance procedures of the laws of the state in which the bank is located; the law of the state in which the bank's holding company is incorporated; the Delaware General Corporation Law; or the Model Business Corporation Act. National banks, however, may follow those laws only to the extent not inconsistent with applicable federal banking statutes or regulations.

The OCC generally does not approve dividend requests that:

- Reduce capital to below regulatory minimums, as required by 12 CFR 5.65, or to levels specified in an enforcement action.
- Services shareholder debt, protects stock value, or continues a trend.

No dividend may be declared from permanent capital, pursuant to 12 USC 56 and 12 CFR 5.36. Any payment, described as a dividend or otherwise, by a bank that results in a reduction of its permanent capital requires the OCC's prior approval as a reduction of capital under 12 USC 59 and 12 CFR 5.46. Banks may obtain prior approval from the OCC to pay dividends in advance of the period(s) in which the dividend would be declared. Notwithstanding any such approval, a bank is prohibited from declaring or paying a dividend if, following the action, it would become an undercapitalized institution as defined in 12 CFR 6.

Banks may make a cash or noncash distribution to a parent bank or parent holding company to complete a business combination, with prior approval from the OCC.¹

A bank may adopt various arrangements to avoid the complications of fractional shares. The OCC has approved alternative means of dealing with fractional shares. Some acceptable alternatives are detailed in 12 CFR 5.67. A bank considering an option not discussed in the regulation should consult with the appropriate district licensing manager.

The OCC will certify an increase in permanent capital within seven days after the date on which the OCC receives the letter of notification from the bank, thereby making the change effective.

Summary of Process

Prior Approval Required

The OCC must review and approve certain changes in capital before the transaction can be completed. The bank first requests and receives prior OCC approval. The bank then notifies the OCC when the change is made and that it complies with legal requirements. Upon receipt of the bank's notification, the OCC will certify or authorize the change, as appropriate, provided it is legal. The change is effective upon OCC certification or authorization.

¹ Capital distributions to the parent bank or to the holding company that fit this description will have no effect on the bank's future dividend paying capacity.

The OCC's prior approval must be obtained for:

- The sale of common or preferred stock for consideration other than cash.
- The receipt of a material² noncash contribution to capital surplus.
- The reduction in capital stock or surplus through a distribution of cash or assets, or a transfer to undivided profits or to any other noncapital account.
- Acquisition of a bank's own shares to be held as treasury stock. However, shares of the bank's own stock taken to satisfy a debt previously contracted, while accounted for as treasury stock, are not subject to this prior approval procedure. (See 12 USC 83 for specific requirements in this situation.)
- Any change in permanent capital if the bank seeking to make the change is required to receive prior OCC approval pursuant to letter, order, directive, written agreement, or similar communication.

For changes requiring prior approval, the bank must submit an application to change permanent capital describing the proposed change and explaining the reason(s) for it. The OCC will review the change to determine that it:

- Conforms to the terms of any capital adequacy agreement.
- Can be considered capital under the OCC's definitions.
- Complies with laws and regulations.
- Satisfies any related supervisory concerns.

Unless notified to the contrary by the OCC, an eligible bank may consider a proposed change in capital approved 30 days after the OCC receives the application. The OCC will advise the applicant of any additional steps required to effect the change.

Under 12 USC 51b, the OCC must review terms of preferred stock concerning dividends, voting and conversion rights, rights to exercise control over management, and retirement of preferred stock. All banks must submit provisions in the [Articles of Association](#) about those terms prior to the sale of the preferred stock. A bank may consider the provisions approved by the

²A contribution to capital surplus will be considered material if the market value of the noncash item represents 3 percent or more of Tier 1 capital prior to the contribution.

OCC on the 30th day after the day of receipt by the OCC, unless otherwise notified in writing. Any notification by the OCC will include the reason for the delay.

Prior Approval Not Required

The following changes in capital do not require the OCC's prior approval. However, these changes do not become effective until the OCC certifies or authorizes that they comply with legal requirements.

The following changes require only notification from the bank:

- Sale of common or preferred stock for cash or stock issued either in accord with an Employee Stock Option Plan (ESOP) or as a form of compensation to bank employees (see the "[Specific Requirements for Increases in Permanent Capital](#)" discussion for details).
- Conversion of preferred stock to common stock.
- Payment of stock dividends, unless approval is required as a decrease in permanent capital, because the bank has an insufficient amount in surplus.
- Changing the par value of capital stock when the change in the capital stock account is offset by an equal change in the capital surplus account (i.e., a stock split but not a reverse stock split).
- Receiving cash contributions to capital surplus.
- Receiving immaterial noncash contributions to capital surplus (see footnote 2).

Approval or Notice Not Required

Certain changes in permanent capital do not require OCC approval or certification, although they are subject to other legal requirements, including those of shareholder approval. Those changes are effective upon shareholder approval and include a change in the amount of authorized, but unissued, capital stock.

Certification of Capital Changes

Upon certification of capital changes by the OCC, shares may be issued and the capital reflected on the bank's financial statements and the Consolidated Reports of Condition and Income (call report).

Changes in capital must be completed within one year of preliminary approval. Generally, the OCC does not extend this period.

Securities Disclosure Requirements

National banks offering their securities for sale must comply with 12 CFR 16. Part 16 prohibits the offer or sale of bank securities unless:

- A registration statement is filed with and declared effective by the OCC and the securities have been sold through the use of a prospectus filed as part of that registration statement; or
- The transaction is exempt from the registration statement requirement or qualifies for an abbreviated registration requirement, such as a private placement, for nonconvertible debt, or a limited offering. Banks proposing to offer and sell securities should consult with legal counsel for the appropriate registration requirement or exemption under the Securities Act of 1933 and its rules and regulations.

Under the Securities and Exchange Act of 1934, national banks that have securities registered on a national securities exchange, or with more than 500 shareholders, must register those securities with the OCC. Registration triggers the requirement for these national banks to file with the OCC certain periodic disclosures. They include, among other things, quarterly reports, annual reports, and proxy or information statements for shareholder meetings. The filing requirements for national banks that have securities registered under the Securities and Exchange Act of 1934 are set forth in 12 CFR 11, which incorporates Securities Exchange Commission rules, regulations, and forms, except where otherwise provided.

Legal Lending Limit Calculation and Other Statutory Limits

When a capital transaction results in a change in capital under 12 USC 1831o and 12 CFR 6 (prompt corrective action) between call report dates, the OCC's certification or authorization letter will confirm that the bank should calculate its lending limit and all other effected statutory limits on the basis of the resulting capital.

The new lending limit should be calculated using data from the call report prepared prior to the change in capital, adjusted for the capital change. The bank normally will file its call report and begin calculating its legal lending limit according to 12 CFR 32.4(a) at the end of the quarter following the change in capital.

Specific Requirements for Increases in Permanent Capital

General

Shareholders must approve by a two-thirds vote any increase in authorized, but unissued, common stock. Shareholders must approve by a majority vote any changes to the [Articles of Association](#). Changes to the Articles of Association are not required, if the existing articles authorize unissued shares of common or preferred stock.

Sale of Common Stock for Cash

Once shares of common stock are sold, the bank must notify the OCC. Common stock is normally sold at a price equal to or greater than the stated or par value. Banks should consult with the OCC prior to considering a sale of common stock at a price below par value. Upon receipt of the notification, the OCC certifies the increase in outstanding capital provided that it is legal.

Sale of Preferred Stock for Cash

The Articles of Association should define the terms, rights, privileges, and authorized amount of the preferred stock. Once the sale of the preferred stock is completed, the bank notifies the OCC. Upon receipt of the notification, the OCC certifies the increase in preferred stock.

Although cash sales of preferred stock do not require prior OCC approval, 12 USC 51b requires the agency to review terms of preferred stock for dividends, voting and conversion rights, control of management, and retirement. Banks must submit to the licensing manager provisions in the Articles of Association about those terms at least 30 days prior to the sale of the preferred stock.

Sale of Capital Stock for Other than Cash

Shareholders must approve by a majority vote any offers to trade or exchange assets for common or preferred stock. The bank must submit to the OCC an application to change its permanent capital and receive its approval prior to making the change. The bank should be prepared to provide documentation supporting the fair market value of the asset to be exchanged or traded.

Receiving Noncash Contribution

The OCC must approve material noncash contributions to capital surplus. The bank must submit an application for prior OCC approval, if the noncash contribution has a market value that represents 3 percent or more of Tier 1

capital prior to the contribution. The bank must submit documentation that describes the property and valuation method. Upon receipt of the property, the bank must notify the OCC.

If the bank's noncash contribution to capital surplus has a market value of less than 3 percent of Tier 1 capital prior to the contribution, it need not seek prior OCC approval; however, the bank must notify the OCC.

Specific Requirements for Decreases in Permanent Capital

General

A bank must submit to the OCC an application and receive its approval for any reduction in permanent capital that results in a distribution of either cash or assets or a transfer to undivided profits or any other noncapital account. This includes the retirement of outstanding shares or the acquisition of outstanding shares that will be held by the bank as treasury stock. Transfers of so-called "surplus-surplus" into undivided profits for the payment of dividends do not require OCC prior approval, or notification, if they meet the criteria of 12 CFR 5.64(c). However, any subsequent dividends must satisfy the requirements of 12 USC 56 and 60.

Under 12 USC 59, shareholders must approve, by a two-thirds vote of every class of the bank's capital stock, any reduction in permanent capital and related distribution of cash or assets.

The OCC generally approves reductions in permanent capital for banks in satisfactory condition, unless the proposed capital structure is not considered adequate under OCC policies. The OCC will approve applications for capital reductions from eligible banks that contemplate up to four consecutive quarterly distributions. However, approval of such distribution plans is contingent upon the bank maintaining its eligible bank status before and after each decrease.

The OCC may deny, or conditionally approve, any reduction in capital for:

- Failure to comply with a capital plan submitted to the OCC.
- A capital structure that the OCC considers inadequate.
- Use of treasury stock as a means to speculate in the bank's own stock or bypass a requirement or obligation under federal banking laws.
- A violation of laws or regulations.
- Conditions that threaten the safety and soundness of a bank.

- Failure to provide adequate information.

Reduction in Capital by Distributing Cash or Assets

A bank must submit an application to reduce its capital stock or capital surplus by a distribution of cash or assets and receive the OCC's approval prior to effecting the reduction. The OCC has allowed banks to reduce permanent capital through a "return of capital." This accounting method will allow a bank to return excess funds to the parent bank or parent holding company. Undivided profits of a bank do not have to be zero. Moreover, because a return of capital does not constitute a dividend, the reduction will not affect a bank's future dividend paying capacity. Only an eligible bank will be considered for approval to use this "return of capital" method.

Reduction in Capital by a Quasi-Reorganization

A quasi-reorganization is an accounting procedure that allows a bank to restructure its capital accounts to remove a deficit in undivided profits without undergoing legal reorganization. It was created so that a bank that has previously suffered losses, but subsequently corrected its problems, could restate its records as if it was reorganized.

The restructuring is accomplished by transferring amounts from capital stock and capital surplus to the undivided profits account to remove the deficit. Upon OCC approval, a quasi-reorganization is recognized as a recapitalization under 12 USC 56. Following the quasi-reorganization, a bank may pay dividends from future earnings without regard to the prior deficit in undivided profits.

A quasi-reorganization is available only to banks that meet certain legal and accounting requirements. A recently chartered bank may be qualified to complete a quasi-reorganization. To satisfy legal requirements, the shareholders must approve by a two-thirds vote the quasi-reorganization and any related reduction in capital stock and surplus. Shareholders must be provided with full disclosure of the material aspects of the proposal including the appraisal process.³ In addition, the bank must meet the following accounting requirements.

- The bank's financial records should reflect the fair value of all assets and liabilities based on an appropriate appraisal or evaluation process. The bank should never recognize new intangible assets because of the

³ National banks with securities registered under the Securities Exchange Act of 1934 should submit proposed shareholder disclosures to the SCP for review.

quasi-reorganization. Further, existing intangible assets should be reviewed for impairment.

- The bank's undivided profits account must be adjusted to a zero balance.
- If the net effect of the fair value adjustments results in decreased capital, the bank must charge this amount to the existing deficit in undivided profits.
- Total capital cannot be increased as the result of a quasi-reorganization. If the fair value adjustments would result in increased capital, the bank must reduce proportionately the fair value of any noncurrent, nonmarketable assets, so that capital is not increased.
- Any resulting deficit in undivided profits should be eliminated against the bank's capital surplus account. If the capital surplus account is not sufficient, the bank should reduce the par value of existing capital stock to increase the surplus account. After completing the quasi-reorganization, 12 USC 51 requires capital surplus to be no less than 20 percent of capital.
- Following the quasi-reorganization, the bank should be accounted for as a new entity. Anticipated or planned changes in accounting principles should be adopted before, or at the same time with, the quasi-reorganization. Any unrecognized tax benefits of deductible temporary differences and carry forwards existing as of the date of the quasi-reorganization must be reported as an increase to capital surplus when recognized in subsequent years.
- The effective date of the quasi-reorganization is generally the date upon which the bank receives shareholder approval or OCC approval, if later. However, the bank may use the first day of the quarter in which approval is obtained as the effective date.

This procedure is allowed only when the bank has a deficit in undivided profits. The bank must submit an application and receive the OCC's prior approval. The application must describe how the bank satisfies the various requirements and provide a schedule of the proposed changes in capital, including the fair value adjustments. If the OCC determines that a bank's circumstances warrant a "fresh start" and it satisfies the applicable requirements, the OCC generally will approve the proposal. The bank must notify the OCC of completion of the change.

Dividends

The OCC's prior approval must be obtained for:

- Dividends paid in something other than cash (i.e., dividends-in-kind).
- Dividends that exceed the limitations established by 12 USC 60.

Stock Dividends

A stock dividend is an issuance of shares of stock that reflect the current owners' share of accumulated earnings. Stock dividends (other than stock splits in the form of a dividend) are accounted for by transferring an amount equal to the fair value of the additional shares issued from undivided profits to a category of permanent capital (common stock and surplus). The amount transferred from undivided profits shall be no less than the par value of the additional shares being issued. Stock dividends are subject to 12 USC 56, but not 12 USC 60.

Fractional shares sometimes arise together with stock dividends, stock splits, reverse stock splits, and other transactions. Methods for dealing with fractional shares are described in 12 CFR 5.67 and Interpretive Ruling 7.2023.

Shareholders must approve by a two-thirds vote any necessary increase in authorized, but unissued shares. Upon payment of the dividend, the bank must notify the OCC and certify that the change meets legal requirements. Upon receipt of the notification, the OCC certifies the increase in capital.

Dividends-In-Kind

With prior OCC approval, a bank may declare dividends payable in property or in a form other than cash (together "property"). Dividends-in-kind are subject to OCC approval regardless of whether they are paid in common or preferred stock. Before the dividend is declared, the property must be written up or down to reflect its current market value. Any write-up or write-down should be recorded in the bank's income statement as if the property had been disposed of in a sale. The dividend is recorded at an amount equal to the current market value of the property. An independent appraisal may be needed to substantiate the value of the property.

Dividends Exceeding the Limits of 12 USC 60

Under 12 USC 60, a national bank must obtain prior OCC approval to declare a dividend if the total of all dividends (common and preferred), including the proposed dividend, declared by a bank in any calendar year

will exceed its net income of that year to date plus the retained net income of the preceding two years. A bank that declares a dividend in excess of its current year net income may attribute dividends in excess of the current year's net income to each of the prior two years, *to the extent that there is sufficient undistributed net income in those years*, attributing the excess first to the earlier of the two years and then to the immediately preceding year. However, if the dividend in any year exceeds the bank's net income for that year plus the previously undistributed net income of the preceding two years, a negative amount would be carried forward to compute the bank's dividend paying capacity in future years. This situation would arise only if the amount of the dividend exceeds the limitation in 12 USC 60, and, therefore, would require prior OCC approval. In determining any such request for approval, the OCC could consider any request for different treatment of the excess dividend amount, including advance waivers for future periods. Also, this attribution method applies only to the treatment of earning deficits that result from dividends declared in excess of a single year's earnings and not to other types of current earnings deficits.

Notwithstanding the permissibility of any particular dividend payment under 12 USC 60, national banks are subject to the safety and soundness protections provided by the prompt corrective action statute. Accordingly, under 12 USC 1831o(d)(1)(A), a national bank may not pay a dividend if the bank would be undercapitalized after the dividend payment is made.

An eligible national bank may request advance approval to cover several anticipated dividend payments, provided that the bank projects sufficient current net income during those periods to support the amount of the dividends declared. In determining whether to grant advance approval, supervisory offices will consider:

- The reasonableness of the bank's request, including its historical dividend payout ratio and projected dividend payments.
- The bank's historical trends and current projections for capital growth through earnings retention.
- The overall condition of the institution, with particular emphasis on current and projected capital adequacy.
- The reason(s) for which the bank became subject to the restrictions of 12 USC 60(b).
- Any other information that the supervisory office deems pertinent to reviewing the bank's request.

Under those standards, the OCC may grant prior approval for a bank's dividend request in advance of the period(s) in which the dividend(s) will be

declared. When prior approval is granted for the payment of dividends, it may cover several anticipated dividend payments provided that the bank projects sufficient current net income during those periods to support the amount of dividend declared. Notwithstanding any such approval, a national bank may not declare or pay a dividend if, after making the dividend payment, the national bank would be "undercapitalized" as defined in 12 CFR 6.

Specific Requirements for Other Changes in Permanent Capital

Stock Split

Shareholders must approve by a two-thirds vote any increase in authorized, but unissued, shares of stock. No prior OCC approval of a stock split is required, because the dollar amount in the capital stock account does not change. However, once the dividend is paid, the bank must notify the OCC. Upon receipt of the notification, the OCC will certify the increase in the number of shares of stock outstanding in capital stock.

A stock split typically increases the number of shares of stock outstanding and reduces the par value and the market price of the shares. For example, one million shares of \$10 par with a \$12 market value stock might split 2 for 1. This would result in two million shares of \$5 par with a \$6 market value stock. The shareholders must approve by a majority vote an amendment to the Articles of Association to change the par value of the stock.

A stock split can also be effected by declaring a stock dividend. A stock dividend, exceeding 20 to 25 percent of issued shares, is classified as a stock split and accounted for by transferring to permanent capital an amount not less than the par value of the additional shares issued. A stock dividend classified as a stock split is considered a realignment of capital accounts according to generally accepted accounting principles. Consistent with 12 CFR 5.60, it is subject to the restrictions of 12 USC 56, but not 12 USC 60.

Change in Par Value of Capital Stock

Shareholders must approve by a majority vote any amendment to the Articles of Association to change the par value of capital stock. Shareholders must also approve any reduction in the bank's permanent capital by a two-thirds vote as required under 12 USC 59. Upon completion of the change, the bank must notify the OCC and certify that the change meets legal requirements. Upon receipt of the notification, the OCC will certify the change.

Retirement of Capital Stock

A bank may buy-back any portion of its outstanding common stock consistent with 12 USC 59. The bank must receive prior approval from the OCC and a vote of shareholders owning two-thirds of the shares of outstanding common stock. A bank deciding to retire capital stock, or hold it as treasury stock, is cautioned strongly to ensure full and adequate disclosure to shareholders under the federal securities laws, and to consider the interest of remaining shareholders under applicable fiduciary principles. Directors have a fiduciary relationship to their bank and owe certain fiduciary duties, such as ensuring that legitimate business reasons exist for entering into the transaction; that any conflict of interest has been minimized appropriately; and that the actions taken are in the best interest of the bank. The per share value offered to individual shareholders is a board decision, because shareholders have a right to reject any offer for purchase of their shares.

Acquisition of Treasury Stock

A bank may acquire outstanding shares and hold them as treasury stock, provided that their acquisition and retention is, and continues to be, for a legitimate business purpose. A bank may not acquire, or hold, treasury stock for speculation. The bank must receive prior approval from the OCC and a vote of shareholders owning two-thirds of the outstanding shares of common stock. However, shares of a bank's own stock acquired as a debt previously contracted, while accounted for as treasury stock, are not subject to prior OCC or shareholder approval.

Twelve USC 24 (Seventh) and Interpretive Rule 12 CFR 7.2020 allow banks to hold treasury stock to fulfill a legitimate corporate need, as long as its repurchase of outstanding shares and consequent reduction in capital complies with 12 USC 59.

The method used by a bank to establish a price or valuation of the treasury stock must be disclosed in the application (for a bank whose securities are not traded actively). If a bank's board determines that the treasury stock should be repurchased for a consideration that exceeds the fair market value, it must provide an opinion as to why the proposed consideration is fair to the bank and minority shareholders.

Reverse Stock Split

A bank must submit an application and obtain the OCC's approval prior to completing a reverse stock split. Shareholders holding two-thirds of the bank's capital stock must approve the reduction in capital and cash distribution. A bank must provide a legitimate business purpose for the transaction; offer sufficient dissenting shareholder's rights; and pay the cash

equivalent of the fractional shares of stock repurchased consistent with 12 CFR 7.2023(c). A national bank may complete a reverse stock split that eliminates minority shareholders by adopting corporate governance procedures as permitted by 12 CFR 7.2000(b). To elect corporate governance procedures that comply with applicable federal banking law, the bank must designate in its bylaws the body of law selected for those procedures. Provided that adequate protections are provided for dissenting shareholders, a national bank may elect to follow corporate governance procedures of the law of the state in which the main office of the bank is located; the law of the state in which the holding company of the bank is incorporated; the Delaware General Corporation Law; or the Model Business Corporation Act.

The adoption of corporate governance procedures and an amendment to the [Articles of Association](#) is not required for a reverse stock split proposal agreed upon unanimously by shareholders, or when minority shareholders are not compelled to forfeit their ownership interest entirely.

Application: Increase in Capital for Other Than Cash

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Increase in Capital for Other Than Cash

Dear Licensing Manager:

The (name of bank and charter number) wishes to change its capital structure by issuing (number) shares of (common/preferred) stock, par value \$ (amount) for (describe property) valued at \$ (amount).

The property's value is based on (describe how the valuation was determined). (If applicable) A copy of the appraisal of the property is enclosed.

(For preferred stock) The terms of the preferred stock are as follows:
[Describe the terms (e.g., voting rights, convertible, cumulative, redeemable, preference rights, dividend rate, issue price). Alternatively, a copy of the preferred stock agreement can be enclosed.]

(If applicable) A copy of the amendment, or proposed amendment, to the Articles of Association authorizing the preferred stock is enclosed.

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

Shareholders (do/do not) need to approve an increase in authorized shares. Current authorized shares of (common/preferred) stock are (number) of which (number) are outstanding.

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency. (If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

I request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Amendment to the [Articles of Association](#)

Appraisal *(If applicable)*

Capital Plan *(If applicable)*

Capital Schedules

Application: Increase in Capital for Material Noncash Contribution

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Increase in Capital for Noncash Contribution

Dear Licensing Manager:

The (name of bank and charter number) wishes to increase its capital surplus by \$ (amount). The increase will be provided by receipt of (describe the property).

The property's value is based on (describe how the valuation was determined). (If applicable) A copy of the appraisal of the property is enclosed.

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency. (If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

I request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Appraisal *(If applicable)*
Capital Plan *(If applicable)*
Capital Schedules

Application: Reduction of Permanent Capital

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Reduction in Permanent Capital

Dear Licensing Manager:

The (name of bank and charter number) wishes to change its capital structure by reducing its (common/preferred) stock or surplus in the amount of \$ (amount). The purpose of the reduction is to (describe purpose).

The reduction will be accomplished as follows. [Describe how the reduction will be accomplished].

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The resulting capital structure will comply with all statutory minimum capital requirements, including 12 USC 51 (capital requirements), 12 USC 371d (investment in bank premises), and 12 CFR 6 (prompt corrective action).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency. (If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Capital Plan *(If applicable)*
Capital Schedules

Application: Quasi-Reorganization

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Quasi-Reorganization

Dear Licensing Manager:

The (name of bank and charter number) wishes to change its capital structure through a quasi-reorganization. We have satisfied the regulatory requirements outlined in OCC's *Comptroller's Corporate Manual*:

(Describe how the bank satisfies the criteria)

The quasi-reorganization will be accounted for as stated in an attached pro forma balance sheet. (All fair value adjustments and transfers from capital stock or surplus to undivided profits should be detailed in an adjustments column and explained, if necessary.)

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The resulting capital structure will comply with all statutory minimum capital requirements, including 12 USC 51 (capital requirements), 12 USC 371d (investment in bank premises), and 12 CFR 6 (prompt corrective action).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency.

(If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Capital Plan (*If applicable*)

Pro Forma Balance Sheet

Capital Schedules

Application: Dividend-In-Kind

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Dividend-In-Kind

Dear Licensing Manager:

The (name of bank and charter number) wishes to pay a dividend of the following property [describe property] valued at \$ (amount) based on [describe the valuation method].

The property's value is based on (describe how the valuation was determined). (If applicable) A copy of the appraisal of the property is enclosed.

A (gain/loss) on the property of \$ (amount) will be recognized in conjunction with the dividend.

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency. (If applicable) The proposed change conforms to the plan by [provide explanation]. A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Appraisal *(If applicable)*
Capital Plan *(If applicable)*
Capital Schedules

Application: Dividend Exceeding 12 USC 60 Limits

Date

Appropriate Supervisory Official
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Dividend Exceeding Limits 12 USC 60

Dear Appropriate Supervisory Official:

The (name of bank and charter number) wishes to pay a (cash or property) dividend of \$ (amount), an amount that exceeds that payable under 12 USC 60 and, therefore, requires the approval of the OCC. Approval of the excess dividend is requested for the [describe reason].

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency. (If applicable) The proposed change conforms to the plan by [provide explanation]. A copy of the plan is attached.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Capital Plan *(If applicable)*
Capital Schedules

Application: Retirement of Capital Stock/Acquisition of Treasury Stock

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Retirement of Capital Stock/Acquisition of Treasury Stock

Dear Licensing Manager:

The (name of bank and charter number) wishes to change its capital structure by repurchasing (number of shares of common/preferred) stock in the amount of \$ (amount). The repurchasing of the stock is to (describe purpose).

[Describe how the stock buy back will be accomplished and the method used to establish a price.]

[*For treasury stock*] [Describe the legitimate business purpose for retention of the shares.]

The effect of the change on the equity capital accounts and capital ratios is detailed in the attached Projected Capital and Capital Ratio Schedules.

The resulting capital structure will comply with all statutory minimum capital requirements, including 12 USC 51 (capital requirements), 12 USC 371d (investment in bank premises), and 12 CFR 6 (prompt corrective action).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency.

The bank (has obtained/will obtain) shareholder approval of the (retirement of capital stock/acquisition of treasury stock) on (date). (If necessary) The bank (has prepared/will prepare) proxy materials under 12 CFR 11 and (has filed/will file) such proxy materials with the Securities and Corporate Practices Division.

(If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Capital Plan *(If applicable)*

Capital Schedules

Application: Reverse Stock Split

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Reverse Stock Split

Dear Licensing Manager:

The (name of bank and charter number) wishes to elect the corporate governance provisions and complete a reverse stock split in accordance with those provisions.

[Describe the corporate governance law the bank purposes to adopt and how that law complies with applicable federal banking statutes or regulations (i.e., authority to conduct reverse stock splits under state law) and provides dissenters' rights for shareholders in reverse stock splits.]

[Describe legitimate corporate purpose for the reverse stock split.]

[Describe the method used to establish a price].

The effects of the change on the equity capital accounts and capital ratios are detailed in the attached schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

The resulting capital structure will comply with all statutory minimum capital requirements, including 12 USC 51 (capital requirements), 12 USC 371d (investment in bank premises), and 12 CFR 6 (prompt corrective action).

The bank (is/is not) currently subject to a capital plan filed with the Comptroller of the Currency.

The bank (has obtained/will obtain) shareholder approval of the (retirement of capital stock/acquisition of treasury stock) on (date).

(If applicable) The proposed change conforms to the plan by (provide explanation). A copy of the plan is attached.

A filing fee of \$ (amount) is enclosed.

We request OCC action on this application no later than (date).

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Amendment to the Articles of Association

Capital Plan *(If applicable)*

Capital Schedules

Notice: Increase in Stock for Cash

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Increase in Stock for Cash

Dear Licensing Manager:

The (name of bank and charter number) notifies you, according to 12 CFR 5.46, that its capital structure changed as follows:

It is hereby certified that, as of (date), \$ (amount) has been paid into the above entitled bank in cash, and not in promissory notes or other evidences of debt, as the purchase price of \$ (amount) aggregate par value of (number of additional shares of common shares of preferred) stock of this bank and that, upon certification by the Comptroller of the Currency, the issuance of such (additional shares of common shares of preferred) stock will increase the aggregate par value of the (common/preferred) stock of the bank from \$ (amount) to \$ (amount) and capital surplus from \$ (amount) to \$ (amount).

(If the issuance required an amendment to the [Articles of Association](#) to increase authorized shares) I hereby certify that (name of bank)'s shareholders approved this change in capital structure according to law, regulations, and this bank's [Articles of Association](#). A secretary's certificate of shareholder approval and a certified copy of the change in the Articles of Association are attached.

(If stock was sold in a private placement) [A Form D must be filed with the OCC's Securities and Corporate Practices Division (SCP) 15 days after the first sale under 12 CFR 16.7.]

(If stock was sold in a public sale) [Registration statement under 12 CFR 16.3 or small issues exemption under 12 CFR 16.8 must be filed with SCP and declared effective or qualified by the OCC.]

(If the increase results in a change in the bank's capital category under 12 USC 1831o and 12 CFR 6) The sale of stock resulted in the bank's capital category under 12 USC 1831o and 12 CFR 6 changed from (former capital category) to (new capital category).

(If the increase results in a change in the bank's legal lending limit) As a result under 12 CFR 32.4(a)(2), the bank's legal lending limit calculation changed on (date). In addition, all other statutory limits based on resulting capital changed on (date).

I hereby declare that the changes in the (name of bank)'s capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, 19__.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Amendment to the [Articles of Association](#) *(If applicable)*
Secretary's Certificate
[Notice for Preferred Stock Terms](#) *(If applicable)*

Notice: Preferred Stock Terms

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Preferred Stock Terms

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46(g)(2) that it intends to issue preferred stock.

[Describe terms of the preferred stock concerning the preferred stock dividends, voting and conversion rights, retirement of the preferred stock, and rights to exercise control over management. If the shareholders already have approved the related amendments to the Articles of Association, include them. If the shareholders have not yet approved the amendments, provide a copy of the proposed amended Articles of Association, if prepared.]

The bank (has obtained/will obtain) shareholder approval of the (retirement of capital stock/acquisition of treasury stock) on (date). (If necessary) The bank (has prepared/will prepare) proxy materials under 12 CFR 11 and (has filed/will file) such proxy materials with the Securities and Corporate Practices Division.

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Amendment to the [Articles of Association](#) (if applicable)
Secretary's Certificate

Notice: Increase in Stock for Property

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Increase in Stock for Property

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure changed as approved by you on (date) as follows:

(Describe the change.)

It is hereby certified that, as of (date), [property description] valued at \$ (amount) has been paid into the above entitled bank as the purchase price of \$ (amount) aggregate par value of (common/preferred) stock of the bank and that, upon certification by the Comptroller of the Currency, such additional (common/preferred) stock will increase the aggregate par value of the outstanding (common/preferred) stock of the bank from \$ (amount) to \$ (amount) and capital surplus from \$ (amount) to \$ (amount).

The property's value is based on (describe how the valuation was determined). (If applicable) A copy of the appraisal of the property is enclosed.

(If issuance of the stock requires an amendment to the [Articles of Association](#) to increase authorized shares) I hereby certify that (name of bank) shareholders approved this change in capital structure according to law, regulations, and this bank's Articles of Association. A secretary's certificate of shareholder approval and a certified copy of the change in the [Articles of Association](#) are attached.

(If the increase results in a change in the bank's capital category under 12 USC 1831o and 12 CFR 6) The sale of stock resulted in the bank's capital category under 12 USC 1831o and 12 CFR 6 changing from (former capital category) to (new capital category).

(If the increase results in a change in the bank's legal lending limit) As a result under 12 CFR 32.4(a)(2), the bank's legal lending limit calculation changed on (date). In addition, all other statutory limits based on resulting capital changed on (date).

The bank (has obtained/will obtain) shareholder approval of the (retirement of capital stock/acquisition of treasury stock) on (date). (If necessary) The bank (has prepared/will prepare) proxy materials under 12 CFR 11 and (has filed/will file) such proxy materials with the Securities and Corporate Practices Division.

I hereby declare that the changes in the (name of bank)'s capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, 19__.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Amendment to the [Articles of Association](#) (If applicable)
Appraisal (If necessary)
Secretary's Certificate

Notice: Noncash Contribution to Surplus

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Noncash Contribution to Surplus

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure changed as approved by you on (date) as follows:

(Describe the change.)

It is hereby certified that, as of (date), [property description] valued at \$ (amount) has been paid into the above entitled bank as the purchase price of \$ (amount) aggregate par value of (common/preferred) stock of the bank and that, upon certification by the Comptroller of the Currency, such additional (common/preferred) stock will increase the aggregate par value of the outstanding (common/preferred) stock of the bank from \$ (amount) to \$ (amount) and capital surplus from \$ (amount) to \$ (amount).

(If the increase results in a change in the bank's capital category under 12 USC 1831o and 12 CFR 6) The sale of stock resulted in the bank's capital category under 12 USC 1831o and 12 CFR 6 changing from (former capital category) to (new capital category).

(If the increase results in a change in the bank's legal lending limit) As a result under 12 CFR 32.4(a)(2), the bank's legal lending limit calculation changed on (date). In addition, all other statutory limits based on resulting capital changed on (date).

I hereby declare that the changes in the (name of bank)'s capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, ____.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Amendment to the [Articles of Association](#) *(If applicable)*
Secretary's Certificate

Notice: Par Value Change

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Change in Par Value

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure has changed.

The changes were made in the outstanding (common/preferred) stock of this bank, as of (date), according to the provisions of its Articles of Association.

The change of the (common/preferred) stock of the (name of bank) from \$ (amount) to \$ (amount) was accomplished by (increasing/decreasing) the par value from \$ (amount) to \$ (amount) per share with an offsetting (decrease/increase) in capital surplus of \$ (amount). Upon (certification/authorization) of the Comptroller of the Currency of the change in capital stock, the change will be reflected on the bank's records.

The resulting capital structure will comply with all statutory minimum capital requirements, including 12 USC 51 (capital requirements), 12 USC 371d (investment in bank premises), and 12 CFR 6 (prompt corrective action).

(If necessary) The bank (has prepared/will prepare) proxy materials under 12 CFR 11 and (has filed/will file) such proxy materials with the Securities and Corporate Practices Division.

I hereby certify that (name of bank)'s shareholders approved this change in capital structure according to law, regulations, and this bank's [Articles of Association](#). A secretary's certificate of shareholder approval and a certified copy of the change in the [Articles of Association](#) are attached.

I hereby declare that the changes in the (name of bank)'s capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, ____.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosures

Amendment to the [Articles of Association](#) (*If applicable*)
Secretary's Certificate

Notice: Conversion of Preferred Stock

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Conversion of Preferred Stock

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure changed by converting preferred stock to common stock.

It is hereby certified that (number) shares of the convertible preferred stock of the (bank) having a par value of \$ (amount) per share have been received in exchange for (number) shares of the common stock of the bank having a par value of \$ (amount) per share and that, upon certification by the Comptroller of the Currency, such change will increase (or decrease) the aggregate amount of outstanding common (or preferred) stock from \$ (amount) to \$ (amount), and (if applicable,) increase (or decrease) the aggregate amount of capital surplus from \$ (amount) to \$ (amount) as detailed in the attached capital schedules (for assistance, see the "Optional Worksheet to Assist in the Risk-Based Capital Ratio Computation" included in the Consolidated Reports of Condition and Income).

I hereby declare that the changes in the (name of bank) capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, ____.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure

Secretary's Certificate

Notice: Reduction of Permanent Capital

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Reduction of Permanent Capital

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure changed as approved by you on (date).

It is hereby certified that, as of (date), the following changes were made in the outstanding (common/preferred stock and/or surplus) of this bank according to the provisions of its Articles of Association:

(For stock) Reduction in the (common/preferred) stock of the bank from \$ (amount) to \$ (amount) by [describe how the reduction was effected].

(For surplus) Reduction in the surplus of the bank from \$ (amount) to \$ (amount) by [describe how the reduction was effected].

I hereby certify that (name of bank) shareholders approved this change in capital structure according to law, regulations, and this bank's [Articles of Association](#). A secretary's certificate of shareholder approval and a certified copy of the change in the [Articles of Association](#) are attached.

(If necessary) The bank (has prepared/will prepare) proxy materials under 12 CFR 11 and (has filed/will file) such proxy materials with the Securities and Corporate Practices Division.

(If the decrease results in a change in the bank's capital category under 12 USC 1831o and 12 CFR 6) The sale of stock resulted in the bank's capital category under 12 USC 1831o and 12 CFR 6 changing from (former capital category) to (new capital category).

(If the decrease results in a change in the bank's legal lending limit) As a result, under 12 CFR 32.4(a)(2), the bank's legal lending limit calculation changed on (date). In addition, all other statutory limits based on resulting capital changed on (date).

I hereby declare that the changes in the (name of bank) capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, ____.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Secretary's Certificate

Notice: Stock Dividend

Date

Licensing Manager, District
Comptroller of the Currency
Street Address
City, State, ZIP Code

Re: Stock Dividend

Dear Licensing Manager:

The (name of bank and charter number) notifies you according to 12 CFR 5.46 that its capital structure changed as follows:

It is hereby certified that, at a meeting of the board of directors of the above bank, held on (date), a (number) percent stock dividend was declared payable on (date). Upon certification by the Comptroller of the Currency, the issuance of the additional stock will increase the aggregate par value of the outstanding common stock of the bank from \$ (amount) to \$ (amount) as detailed in the attached Pro Forma Balance Sheet.

(If the dividend required an amendment to the [Articles of Association](#) to increase authorized shares) I hereby certify that (name of bank) shareholders approved this change in capital structure according to law, regulations, and this bank's [Articles of Association](#). A secretary's certificate of shareholder approval and a certified copy of the change in the [Articles of Association](#) are attached.

I hereby declare that the changes in the (name of bank) capital structure comply fully with all applicable laws and regulations.

President, Vice President, or Cashier

Subscribed and sworn to before me this ____ day of _____, ____.

State of _____

County of _____

(SEAL OF NOTARY)

Notary Public

If you have questions, please contact (name, address, city, state, ZIP Code) at (telephone and FAX number).

Sincerely,

) Signature)

Name and Title

Enclosure(s)

Amendment to [Articles of Association](#) (if applicable)
Secretary's Certificate

Pro Forma Balance Sheet

This schedule reflects the pro forma balance sheet, as of (month and year), after adjustments for the capital transaction. All entries in the adjustments column must be footnoted and explained. All amounts are in thousands of dollars.

	<u>Existing Bank</u>	<u>Adjustments</u>	<u>Resulting Pro Forma Bank</u>
ASSETS			
Cash and due from banks	_____	_____	_____
U.S. government and its agencies	_____	_____	_____
State and municipal obligations	_____	_____	_____
Other securities	_____	_____	_____
Federal funds sold and securities purchased under agreement to resell	_____	_____	_____
Loans (net of unearned income)	_____	_____	_____
Less: Allowance for loan and lease losses	_____	_____	_____
Bank premises	_____	_____	_____
Furniture, fixtures, and equipment	_____	_____	_____
Intangible assets*	_____	_____	_____
Other assets*	_____	_____	_____
TOTAL ASSETS	=====	=====	=====

* Itemize any amount that exceeds 10 percent of the total.

	<u>Existing Bank</u>	<u>Adjustments</u>	<u>Resulting Pro Forma Bank</u>
LIABILITIES			
Demand deposits	_____	_____	_____
Time deposits	_____	_____	_____
Total deposits	_____	_____	_____
Interest, taxes, and other liabilities	_____	_____	_____
Federal funds purchased and securities purchased under agreement to repurchase	_____	_____	_____
Liabilities for borrowed money	_____	_____	_____
Other liabilities*	_____	_____	_____
Total liabilities	_____	_____	_____
CAPITAL			
Subordinated debt (qualifying as capital)	_____	_____	_____
Stockholders' equity:			
Preferred stock	_____	_____	_____
Common stock	_____	_____	_____
Surplus	_____	_____	_____
Retained profits	_____	_____	_____
Other capital and contingency reserves	_____	_____	_____
Total equity capital	_____	_____	_____
Total capital	_____	_____	_____
Total liabilities and capital	=====	=====	=====

* Itemize any amount that exceeds 10 percent of the total.

Prior Approval Requests

Licensing Staff

1. Refers a bank that requests instructions to the "[General Policies and Procedures](#)" (GPP) booklet and this booklet of the *Comptroller's Corporate Manual*.

Steps 2 - 25 apply only when a bank is required to obtain OCC approval prior to other capital or dividend transactions (i.e., applications filed with the appropriate licensing manager). Applications to pay dividends pursuant to 12 USC 60(b) and 12 CFR 5.64 are filed with the appropriate supervisory office, which will acknowledge and act on the filing.

Bank

2. Submits a complete application and filing fee to the licensing manager at the appropriate district office.

Review

Licensing Staff

3. Notifies appropriate Assistant Deputy Comptroller/ examiner-in-charge (ADC/EIC) and/or portfolio manager of receipt of application.
4. Initiates and enters required information into the Corporate Activities Information System (CAIS).
5. Establishes the official file to maintain all original documents.
6. If a filing fee is submitted, forwards it and the deposit memorandum, (Form 6043-01) to the Comptroller of the Currency, P.O. Box 73150, Chicago, Illinois 60673-7150. Retains a copy of the memorandum. Requests the filing fee if it was not received, and the bank did not indicate it would use the automated clearing house.
7. Within five business days of receipt:
 - Reviews the application and other relevant information about the bank to determine whether the application contains all information necessary to reach a decision.

- If yes, notifies the bank of receipt of the application and the target date for decision. Also, provides the CAIS Control Number.
 - If no, requests the missing information from the bank, specifying a response date. Also informs the bank whether the 30-day automatic approval date remains in effect.
 - Determines whether the bank meets the bank qualification criteria and the application is eligible for expedited review.
 - Solicits comments from the ADC/EIC and/or portfolio manager and from other OCC divisions, as appropriate, with a preliminary response required within 15 days after receipt. For undercapitalized banks, contacts the supervisory office staff for capital plan status.
 - If a legal question is identified or a legal opinion was submitted with the application, forwards the relevant material to the Law Department with a preliminary response required within 15 days after receipt.
8. Upon receipt of comments, determines whether the bank is still eligible for expedited review. If not, immediately notify the bank that it no longer qualifies for expedited review, identifying the specific reason(s).
 9. If at any time the application presents significant policy, legal, or supervisory issues, contacts Bank Organization and Structure (BOS) to decide:
 - Whether the application should be filed with the Washington office, if broad issues are involved.
 - Whether specific issues should be carved out for Washington action, while the application continues to be processed in the appropriate district office.
 - When the filing should be forwarded to Washington.

Decision

Licensing Staff

10. For a bank that is eligible for expedited review, verifies before expiration of the processing period, that no reasons exist to disqualify the bank from expedited review.

- If the bank remains qualified, proceeds to the next step.
 - If the bank is disqualified, immediately notifies the bank that it no longer qualifies for expedited review, identifies the specific reason(s), and requests any necessary information from the bank, specifying a response date.
11. Decides the application under delegated authority or forwards the official file to BOS for decision. If referred to BOS, go to step 18.
 12. Notifies bank and, if appropriate, any interested parties.
 13. Sends bank the decision letter and a [Satisfaction Survey](#).
 14. If the decision is either a denial or conditional approval:
 - Notifies the appropriate ADC/EIC and/or portfolio manager of the decision by forwarding updated CAIS comments and, if warranted, any concerns.
 - Forwards a copy of the Confidential Memorandum, decision document, and transmittal letter to the Quality Assurance Coordinator.
 15. Makes appropriate CAIS entries.
 16. When the change requires the bank to file information with the Securities and Corporate Practices Division (SCP), Washington, DC under 12 CFR 11 and 16, sends a copy of the approval letter to SCP.
 17. If the application is denied, goes to step 41.

BOS

18. Makes appropriate CAIS entries.
19. Reviews the file and all relevant information; solicits comments from other OCC divisions as appropriate; makes a recommendation; and forwards the official file to the appropriate official for decision.
20. Once decided, notifies the bank and the district of the decision.
21. Sends the bank the decision letter and a [Satisfaction Survey](#) and notifies any interested parties.
22. If the decision is either denial or conditional approval:

- Notifies the appropriate ADC/EIC and/or portfolio manager of the decision by forwarding updated CAIS comments and, if warranted, any concerns.
 - Forwards a copy of the Confidential Memorandum, decision document, and transmittal letter to the Quality Assurance Coordinator.
23. Sends a copy of the approval letter to SCP, if the change requires the bank to file information with SCP under 12 CFR 16.
 24. Makes appropriate CAIS entries.
 25. If either approved or conditionally approved, returns the official file to the appropriate district office. If denied, goes to step 41.

Decreases in Permanent Capital

Bank

26. If reducing permanent capital, submits information to the OCC about the planned method of reduction (i.e., quasi-reorganization, stock split, treasury stock, reverse stock split), and:
 - For treasury stock, provides the business purpose for the capital reduction.
 - For reverse stock splits, cites the authority to conduct reverse stock splits under state law and dissenters rights for shareholders.
 - For all transactions involving the repurchase of equity securities provides the method of valuation used to determine fair market value.

Licensing Staff

27. Reviews the proposed terms for the capital reduction within 30 days of receipt, verifying that no reasons exist to object to the terms, and:
 - If the proposal is for a reverse stock split, routes the request to the Law Department for review within five business days of receipt and requests a preliminary response within 15 days of receipt.
 - If there are concerns, notifies the bank that the automatic 30-day approval period is no longer appropriate and request any necessary information from the bank.

Shareholders' Approval

Bank

28. If required, obtains shareholders' approval of the change in capital.
29. Amends the [Articles of Association](#), if necessary, and executes the secretary's certificate.

Securities Review

Bank

30. If the bank is subject to 12 CFR 11 and the change requires shareholders' approval, submits preliminary proxy materials or information statement to SCP for review and clearance.
31. Before commencing the sale of securities, prepares and files with SCP a registration statement or other document that may be required under 12 CFR 16.

SCP

32. Sends the bank a letter of effectiveness or a comment letter detailing deficiencies in the registration statement and/or its amendment. Notifies the district office of the action.

Notification of Completed Changes

Bank

33. Notifies the licensing manager of the date of the change in capital.

Preferred Stock Terms

Bank

34. If issuing preferred stock, submits information to the OCC about the preferred stock's dividends, voting and conversion rights, retirement terms, and rights to exercise control over management.

Licensing Staff

35. Reviews the proposed terms for the preferred stock within 30 days of receipt, verifying that no reasons exist to object to the terms [review sample [Articles of Association](#) within the "[Corporate Organization](#)" booklet for appropriate terms]. If there are no concerns, sends the bank a letter approving the proposed preferred stock issuance within 30 days of the OCC's receipt. If concerns exist, notifies the bank that the automatic 30-day approval period is no longer appropriate and requests any necessary information. Specifies a date by which the information should be received.

Certifications/Authorizations

Licensing Staff

36. Reviews the bank's notification letter and, when prior approval was required, the official file to determine that all required actions have occurred.
37. Notifies the bank by telephone, and letter, if necessary, of any problems.
38. Prepares and mails the official certification or authorization letter to the bank. Retains a copy of the letter in the official file.
39. Notifies the appropriate supervisory office for prompt corrective action if the change resulted in a change in the bank's capital category.
40. Makes appropriate CAIS entries.

Close Out

Licensing Staff/BOS

41. Reviews the file for completeness and forwards it to Central Records.
42. Makes appropriate CAIS entries.

Capital and Dividends

References

Approval by Comptroller—Capital Regulation	12 CFR 5.46
Approval by Comptroller—Dividends Regulations Examining Circular	12 CFR 5.60 - 5.66 257
Articles of Association Law	12 USC 21a
Assessment Law	12 USC 55
Capital Requirements and Minimum Ratios Law Regulation	12 USC 51 12 CFR 3
Capital Stock—Par Value Law	12 USC 52
Capital Stock—Paid In Law	12 USC 53
Changes in Permanent Capital Regulation	12 CFR 5.46
Decrease in Capital Law	12 USC 59
Dividends—Capital Limit Law Regulation	12 USC 56 12 CFR 5.63
Dividends—Earnings Limit Law Regulation OCC Bulletin	12 USC 60 12 CFR 5.64 94-41
Dividends-In-Kind Regulation	12 CFR 5.66

Dividends—Undercapitalized Banks Regulation	12 CFR 5.65
Fractional Shares Regulations	12 CFR 5.67, 7.2023
Impairment Laws	12 USC 51b-1, 56
Increase in Capital Law	12 USC 57
Legal Lending Limit Calculation Law Regulation	12 USC 84 12 CFR 32.4
Offering Circular Regulation	12 CFR 16
Par Value Law	12 USC 52
Preemptive Rights Regulation	12 CFR 7.2021
Preferred Stock Law Regulation	12 USC 51a 12 CFR 5.46
Prompt Corrective Action Law Regulation	12 USC 1831o 12 CFR 6
Proxy Materials, Rules Regulation	12 CFR 11
Quasi-Reorganization OCC Bulletin	95-27
Reduction Law Regulation	12 USC 59 12 CFR 5.46
Risk-Based Capital Regulation	12 CFR 3 Appendixes A and B

Securities Offering Disclosures Rules
Regulation

12 CFR 16

Shareholder Approval
Law

12 USC 21a

Stock Dividend
Law
Regulation

12 USC 57
12 CFR 7.2024

Treasury Stock
Regulation

12 CFR 7.2020

For specific requirements, see applicable laws and regulations and relevant section in this booklet.

Changes In Capital

	<i>Prior OCC Approval Required</i>	<i>Notification Only</i>	<i>Shareholder Approval Required</i>	<i>Expedited Review</i>	<i>Law(s)</i>	<i>Regulation(s)</i>
<i>Sale common or preferred stock for other than cash</i>	yes	n/a	Majority	yes	12 USC 57	12 CFR 5.46(g)(B)
<i>Receiving material (3% or more) noncash contribution to capital surplus</i>	yes	n/a	Majority	yes	12 USC 57	12 CFR 5.46(g)(C)
<i>Receiving in material (less than 3%) noncash contribution to capital surplus</i>	no	yes	Majority	n/a	12 USC 57	12 CFR 5.46(g)(C)
<i>Acquire treasury stock</i>	yes	n/a	Two-thirds	yes	12 USC 24(7) 12 USC 59	12 CFR 5.46(h) 12 CFR 7.2020
<i>Change to permanent if under any form of agreement with OCC</i>	yes	n/a	yes	no	12 USC 57 12 USC 59	12 CFR 5.46(g)(A) 12 CFR 5.46(h)
<i>Common/preferred stock sold for cash or issued for employee stock option plan¹</i>	no	yes	Two-thirds	yes	12 USC 51a 12 USC 51b 12 USC 57	12 CFR 5.46(l)(3)
<i>Conversion of preferred to common stock</i>	no	yes	Two-thirds	yes	12 USC 51b	12 CFR 5.46(l)(3)
<i>Change par value when offset by an equal change in the surplus account</i>	no	yes	Two-thirds	yes	12 USC 52	12 CFR 5.46(l)(3)
<i>Change amount of authorized but unissued capital stock²</i>	no	no	Two-thirds	n/a	12 USC 57	
<i>Stock split or other adjustment that does not change amount in common stock account</i>	no	no	Two-thirds	n/a	12 USC 21a	

¹ In the case of the sale of preferred stock, the national bank shall also submit provisions in the [Articles of Association](#) concerning preferred stock dividends, voting and conversion rights, retirement of the stock, and rights to exercise control over management to the appropriate district office prior to the sale of the preferred stock. The provisions will be deemed approved by the OCC within 30 days of its receipt, unless the OCC notifies the applicant otherwise.

² A national bank need not obtain prior OCC approval to increase its permanent capital unless the bank is:

- Required by OCC to receive prior approval.
- Selling common or preferred for consideration other than cash.
- Receiving a material noncash contribution.

	<i>Prior OCC Approval Required</i>	<i>Notification Only</i>	<i>Shareholder Approval Required</i>	<i>Expedited Review</i>	<i>Law(s)</i>	<i>Regulation(s)</i>
<i>Quasi-Reorganization³</i>	yes	n/a	Two-thirds	yes	12 USC 51 12 USC 56 12 USC 59	12 CFR 5.47
<i>Reverse stock split</i>	yes	n/a	Two-thirds	yes	12 USC 52 12 USC 215 12 USC 215a	12 CFR 7.2000(b) 12 CFR 7.2023(c)
<i>Reduction in capital stock or capital surplus</i>	yes	n/a	Two-thirds	yes	12 USC 59	12 CFR 5.46(h)

³ A quasi-reorganization allows a bank to restructure its capital accounts without legal reorganization by transferring amounts from capital stock and surplus to the undivided profits account to remove a deficit. It is available to banks that meet legal and accounting requirements (see OCC Bulletin 95-27).

Payment of Dividends

	<i>Prior OCC Approval Required</i>	<i>Notification Only</i>	<i>Shareholder Approval Required</i>	<i>Expedited Review</i>	<i>Law(s)</i>	<i>Regulation(s)</i>
<i>Dividend-in-kind¹</i>	yes	n/a	Two-thirds	Yes	12 USC 56 12 USC 60	12 CFR 5.63 12 CFR 5.66 12 CFR 7.2024
<i>Dividend in excess of 12 USC 56 and 60</i>	yes	n/a	no	yes	same as noted	12 CFR 5.63 12 CFR 5.64
<i>Stock dividend</i>	no	yes	Two-thirds	yes	12 USC 57 12 USC 60	12 CFR 5.6 12 CFR 5.67 12 CFR 7.2023
<i>Capital limitations</i>	no ²	no	n/a	n/a	12 USC 56	12 CFR 5.63
<i>Earning limitations</i>	no ³	no	no	n/a	12 USC 60	12 CFR 5.64
<i>Undercapitalized institutions⁴</i>	n/a	n/a	n/a	n/a	12 USC 1831o(d)	12 CFR 5.65
<i>Payable other than cash</i>	yes	n/a	Two-thirds	yes	12 USC 56	12 CFR 5.66
<i>Fractional shares</i>	no	n/a	Two-thirds	n/a	12 USC 56	12 CFR 5.67 12 CFR 7.2023
<i>Transfer from surplus surplus</i>	no ⁵	n/a	Two-thirds	n/a	12 USC 56 12 USC 60	12 CFR 5.64(c)
<i>Transfer from surplus surplus that do not meet the criteria in 5.46(c)</i>	yes	n/a	Two-thirds	yes	12 USC 56 12 USC 60	12 CFR 5.46(c)
<i>Issue a non-dividend dividend⁶</i>	no	n/a	Two-thirds	yes	12 USC 60	12 CFR 5.67

¹ Assets must be written up or down to reflect current market value.

² Yes, if losses have at any time been sustained equal to or exceeding its undivided profits. Further, a national bank may not declare a dividend in excess of undivided profits.

³ Yes, if capital surplus is less than capital stock of the bank except when the bank has:

- In the case of ANNUAL dividends transferred 10 percent of its net income for the preceding four quarters to capital surplus, or
- In the case of QUARTERLY or SEMIANNUAL dividends transferred 10 percent of its net income for the preceding two quarters to capital surplus.

⁴ A national bank may NOT declare or pay any dividend if, after making the dividend, the national bank would be undercapitalized.
(12 CFR 5.65)

⁵ For the payment of dividends provided: 1) The bank can demonstrate that the surplus came from earnings of prior periods, EXCLUDING the effect of any stock dividend.
2) The board of directors approves the transfer of the surplus surplus from capital surplus to undivided profits.

⁶ A non-dividend dividend occurs when a bank pays a dividend (within the limitations of 12 USC 56 and 60) to its parent holding company to acquire another bank entity that will be merged ultimately with the original bank.